From: Mike Smith <msmith@cgagroup.com>
Sent: Monday, February 22, 2021 10:28 PM
To: Reuschel, Trevor <Trevor.Reuschel@mail.house.gov>; Nekzad, Yusuf <Yusuf.Nekzad@mail.house.gov>
Subject: Fw: OCP Outreach needed this week

Team Bustos -
Thank you again for the opportunity to discuss with you the pending countervailing duty (CVD) case on phosphate fertilizers from Morocco last year. Since we spoke, the final CVD recommendations from the Department of Commerce have been issued. If the International Trade Commission (ITC) also makes a finding of harm, this would result in tariffs of a little more than 19% being applied to imports.
These tariffs would reduce competition, choice, and supply of phosphate fertilizer for American farmers. Limiting farmer choice to only a few suppliers in the U.S. would severely restrict the reliable and timely supply of critical inputs that U.S. farmers need to maximize their crop yield and remain globally competitive. This serious risk is already evident from the supply shocks created when the threat of tariffs temporarily chased foreign importers out of the U.S. market.

Last week the National Corn Growers Association, American Soybean Association and the National Cotton Council filed comments with the ITC expressing concern about fertilizer availability and supplies. Their press release may be found here and a link to the formal comments may be found here.

Congressman Estes is circulating the letter below to the ITC expressing these same concerns. We would appreciate your considering signing on to this letter or sending a similar letter. Nicholas O'Boyle in the Congressman's office may be reached at Nicholas.O'Boyle@mail.house.gov. The ITC decision will be made in early March, so contact with the ITC now will be most effective. If we can provide any additional information that would assist in your evaluation, we would welcome the opportunity.

Please know we appreciate your consideration.

Letter to the ITC Opposing Tariffs on Phosphates

Sending Office: Honorable Ron Estes
Sent By: Nicholas.OBoyle@mail.house.gov

Request for Signature(s)

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Dear Colleague,
Please join me in sending a letter to the International Trade Administration (ITC) asking them to reject the imposition of additional duties on imported phosphates.
Countervailing duty investigations of phosphate fertilizers from Morocco and Russia have been ongoing in the Department of Commerce and the International Trade Commission for the last 9 months. The Department of Commerce recently announced their determination of the duty rates that will apply if the International Trade Commission finds in favor of the domestic producers. Those rates are significant – 19.97% for phosphates from Morocco and between 9.19% and 47.05% for phosphates from Russia.
As you know, US farmers rely heavily on phosphate fertilizers to produce the best crops in the world, including corn, cotton, soybeans, and wheat. While our farmers prefer a domestic supply, the production of phosphate in the US is highly concentrated and unreliable. The current pandemic has only served to highlight the need for multiple, reliable sources of phosphate to insure a secure supply for our farmers.
If these additional duties are allowed to come into effect, US farmers will experience higher input costs for their products and limited options for applying treatments for a successful harvest. In these volatile times, our farmers deserve certainty in the cost and reliability of their fertilizer supply.
Please join me in signing this letter by **Friday, February 26**. If you or your staff have any questions, please contact Nicholas O'Boyle in my office at Nicholas.O'Boyle@mail.house.gov.
Sincerely,
/s
Ron Estes
Member of Congress

The Honorable Jason E. Kearns, Chair
U.S. International Trade Commission
500 E Street, SW Washington, D.C. 20436

Dear Chair Kearns,
We write in opposition to the countervailing duty (CVD) petition filed on June 26, 2020 against the import of certain phosphate fertilizers and urge the U.S. International Trade Commission to reject the imposition of duties in its final injury determination (Inv. No. 701-TA-650-651).
U.S. farmers depend on phosphate fertilizers to produce a variety of crops, including corn, soybeans, cotton, wheat, sorghum, sugar beets, and fruits and vegetables. Phosphorous is the second most widely used plant nutrient and accounts for approximately 20 percent of total fertilizer usage and 15 percent of total cash costs for producers.
While U.S. farmers value domestic supply, U.S. production is highly concentrated, and our understanding is that supplies are effectively controlled by a single U.S. manufacturer, which presents a risky and insecure situation for our farmers. The Covid pandemic and other emergencies have shown us that multiple sources of phosphate products are necessary to ensure the reliability of supply and to meet the logistical needs of farmers around the country. Indeed, up to a third of domestic phosphate fertilizer demand is typically supplied by imports to provide for a secure supply.
Specifically, our constituents inform us that U.S. farmers experienced increasingly inadequate and unreliable supplies of domestically produced phosphate fertilizers during the 2017-2019 period under the Commission's investigation. Shortages caused by planned supply reductions in U.S. manufacturing increased the need for imported product during the investigation period.
Further, even a precipitous drop in imported supply in 2020 has not resulted in additional domestic supply. Indeed, our understanding is that production from the dominant producer in the U.S. declined for the first three quarters of 2020 compared to the same period in 2019, and that reduced imports and lower domestic production have resulted in critically tight supplies and have made it difficult for farmers to rebuild their inventories. Farmers depend on timely and reliable supplies of phosphate fertilizers for their narrow seasonal application windows.
We are concerned that the imposition of duties sought by the petitioner could result not only in higher input costs for U.S. farmers but also in more limited options for applying treatments necessary for a successful

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harvest. Given the unprecedented volatility experienced in the agricultural economy over the past three years, it is especially important to avoid imposing unnecessary duties that will further limit fertilizer supply and raise the cost of production for farmers.

We urge the U.S. International Trade Commission to carefully consider arguments made by the parties that the imports under investigation do not harm a domestic industry but instead help supply farmers with phosphate fertilizers necessary for their survival.

Thank you for your efforts to fairly enforce U.S. trade laws and for your consideration of our views.

Sincerely,

Related Legislative Issues

Selected legislative information: Agriculture, Trade

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Tim Ryan
Congress of the United States
13th District, Ohio

Committee on Appropriations
Legislative Branch Subcommittee
Chairman

Defense Subcommittee
Energy and Water Development, and
Related Agencies Subcommittee

February 18, 2021

The Honorable Jason E. Kearns
Chair
U.S. International Trade Commission
500 E. Street, SW
Washington, D.C. 20436

Dear Chair Kearns,

I write in opposition to the countervailing duty (CVD) petition filed on June 26, 2020 against the import of phosphate fertilizers from Morocco and Russia, and urge the Department of Commerce and the U.S. International Trade Commission to reject the imposition of duties in its final injury determination (Inv.No.701-TA-650-651).

Due to years of low commodity prices and declining farm income, combined with several years of severe weather events and historic floods, U.S. farmers are increasingly worried about the impact this case will have on production costs. Farmers across the country depend on affordable phosphate fertilizers to produce a variety of crops, and a sharp rise in price would have a dramatic impact during an already volatile time for many U.S. farmers. The Food and Agriculture Policy Research Institute estimates net cash farm income will decrease from $120.4 billion in 2019 and $102.2 billion in 2020. The analysis forecasts net cash farm income to fall even further, to $95.1 billion in 2021. It is especially important during a downturn in the agricultural economy to avoid imposing unnecessary duties that will limit fertilizer supply options and raise the cost on farmers.

Phosphorus accounts for approximately one fifth of fertilizer usage and 15 percent of total cash costs for producers. The imposition of duties between 30.72 and 71.50 percent on phosphate fertilizers, as sought by the petitioner, would result in higher input costs for U.S farmers. The imposition of a countervailing duties would shut out much of the market for phosphorus fertilizers, making it so Mosaic, a company with 74% of the market share, would be the primary fertilizer supplier. This company alone will be unable to meet the demands of U.S. farmers.

This shift in the market would drive up prices for farmers that are already disadvantaged due to the COVID-19 pandemic. Given financial harm duties on phosphate fertilizers will cause U.S. farmers, we urge the Department of Commerce and U.S. International Trade Commission to deny this petition.

Thank you for your consideration of this important matter.

Sincerely,

Tim Ryan

Tim Ryan
Member of Congress

February 17, 2021

U.S. International Trade Commission
500 E Street Southwest
Washington, DC 20436

RE: Investigation No. 701-TA-650-651

Dear Sir/Madam:

The American Soybean Association (ASA), the National Corn Growers Association (NCGA), and the National Cotton Council (NCC) appreciate the opportunity to provide the United States International Trade Commission (USITC) comments for the hearing record on the petition by the Mosaic Company for countervailing duties on Russian and Moroccan imports of phosphate fertilizer. It is our view that countervailing duties on these imports will adversely impact the availability of phosphate fertilizer in the United States and adversely affect crop production and farmer livelihoods.

Background on the ASA, NCGA, and NCC
The American Soybean Association, founded in 1920, represents all U.S. soybean farmers on domestic and international policy issues important to the soybean industry. ASA has 26 affiliated state associations representing over 300,000 producers in 30 soybean-producing states.

Founded in 1957, NCGA represents nearly 40,000 dues-paying corn farmers nationwide and the interests of more than 300,000 growers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state organizations work together to create and increase opportunities for corn growers.

The NCC is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton with production averaging 12 to 20 million 480-lb bales annually.

Why Countervailing Duties Would Impact Availability and Lead to Shortages
Phosphorus is one of the primary macronutrients necessary for plant growth and is vital to crop production. Adequate levels of phosphorus in the soil will benefit early season root development and helps provide the energy crops need to maximize its growth and production. Phosphate fertilizers are widely used by corn, cotton, soybean, and other crop producers throughout the United States.

While many row crop farmers have observed recent increases in fertilizer prices with concern, the greater problem caused by Mosaic's petition, driving our request that the USITC remove

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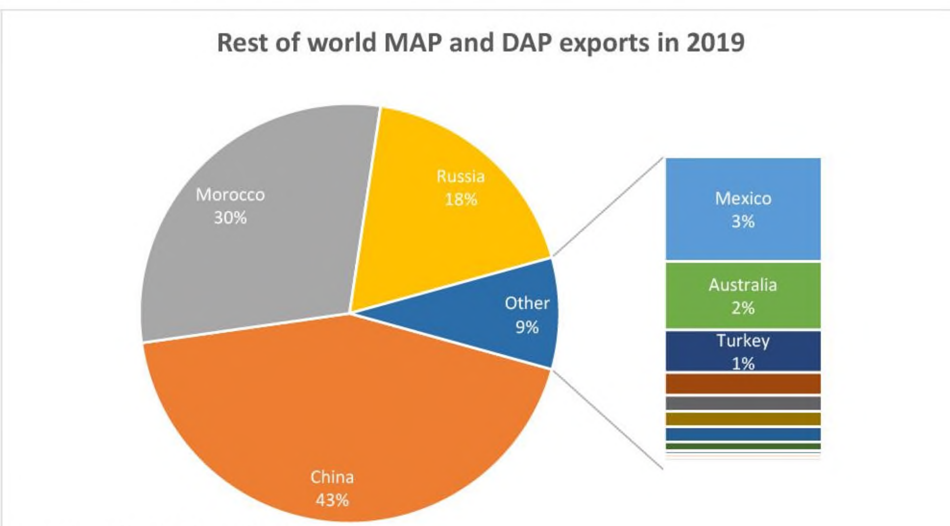
American Soybean Association | National Corn Growers Association | National Cotton Council of America

countervailing duties, is that these duties are adversely impacting availability of phosphate fertilizer in the United States. Additionally, these duties reduce competition and choice available to farmers in the U.S. marketplace.

Fertilizer is an indispensable input to ensure soil has necessary nutrients to enable crops to grow. It is essential for obtaining and sustaining high yields and making crop production profitable. Since the preliminary duties were imposed on Russian and Moroccan imports, adequate supply of phosphates to meet domestic needs have become a concern. Bloomberg's Green Market's outlook for 2021 states, "We forecast U.S. prices to rise further and expect local supply outages to provide upside risk during the spring season[1]."

The reason for local outages becomes apparent from the data. In the last year of available data from the Food and Agriculture Organization of the United Nations (FAOSTAT) (2018), the ratio of U.S. imports to agricultural use was 42%. Figure 1 shows the share of world's monoammonium phosphate (MAP) and diammonium phosphate (DAP) exports from sources other than the U.S. Three countries dominate the exports: Russia, Morocco and China. U.S. imports from China are currently subject to a 25% tariff under Section 301. If these proposed countervailing duties are applied to Morocco and subject sources in Russia, less than 15% of the exports in the world would be available to U.S. farmers without tariffs.



Source: Trade Data Monitor and author calculations
Note: Assumes 52% of P_2O_5 for MAP and 46% for DAP

Figure 1

Unfortunately, this amount would not satisfy the recent levels of U.S. import demand. Aggregating phosphate imports by material weight is problematic due to differing phosphorus pentoxide (P_2O_5) levels. However, MAP and DAP are relatively consistent in P_2O_5 content and represent the most

[1] Green Markets. "Global Phosphate Quarterly: Supply & Demand, Production Costs and Price Forecasts." January 2021.

widely used phosphates in the U.S. In fact, the two products accounted for 59%[2] of phosphates for agricultural use in the U.S. during 2018. Furthermore, the two products accounted for 86% of imports in the same year.

Figure 2 shows the most recent world trade data for MAP and DAP. The U.S. has increasingly relied on imports. However, the export levels from countries not subject to U.S. tariffs or duties on phosphates are less than what the U.S. imported in 2018 and 2019. This clearly shows that if every exported ton of MAP and DAP not subject to current and proposed tariffs was imported into the U.S., the amount still would have fallen short of import demand. The reality is the U.S. cannot capture all these imports. Other importers also compete for these nutrients, and the policy uncertainty and good business practices will prevent many exporters from terminating existing relationships to fulfill U.S. demand.

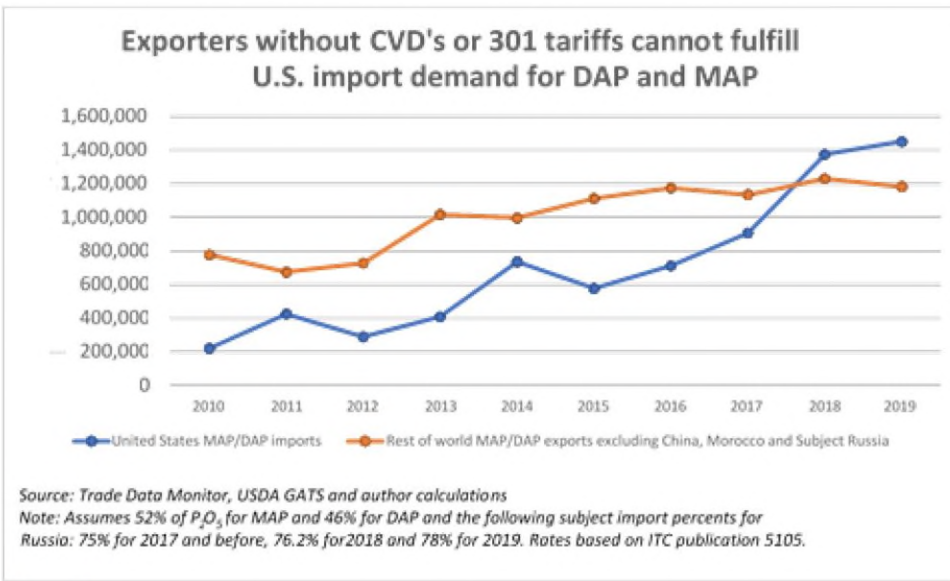


Figure 2

Recent price data confirms that the rest of the world is unable to meet U.S demand. New Orleans (NOLA) DAP prices have historically been lower than other world prices, exhibited in Figure 3 below. This became more pronounced in 2019 due to high prevented planting acreage in the United States. The markets attempted to reallocate phosphorus to other areas of the world during this time. After the ITC investigation was initiated, imports from Russia and Morocco collapsed in 2020 with the two countries exporting around half of their 2019 levels. Despite the market's attempt to pull more phosphates into the U.S. by increasing the NOLA price relative to the world, other exporters could only fill a little bit of the gap. Rest of world MAP and DAP imports increased from 220,000 nutrient tons in 2019 to 383,000 nutrient tons in 2020. However, this increase of 163,000 tons pales in comparison to the drop of 638,000 tons from Morocco and Russia.

[2] Calculations based upon data from FAOSTAT and assumptions of 42% P_2O_5 for DAP and 52% for MAP.

ASA American Soybean Association

NATIONAL CORN GROWERS ASSOCIATION

National Cotton Council OF AMERICA

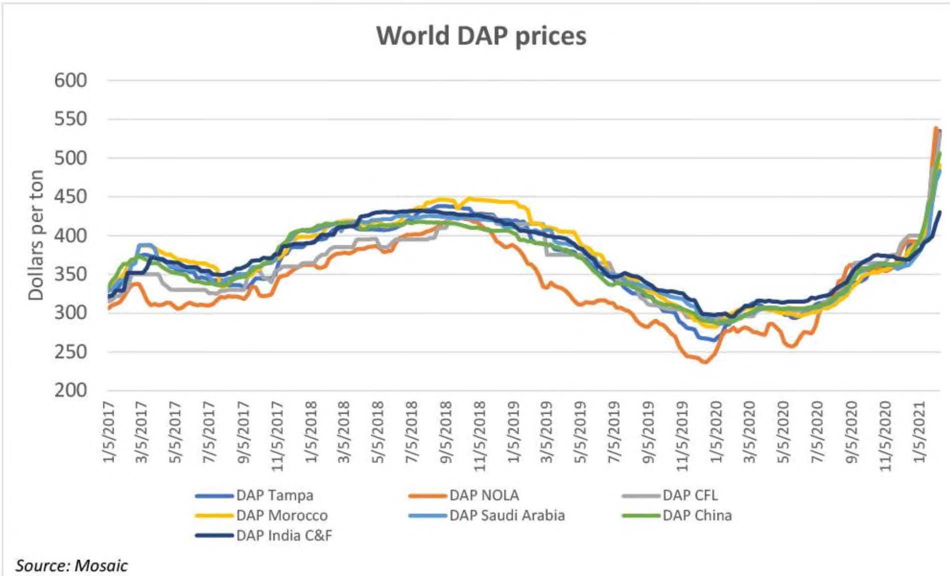


Figure 3

Table 1 provides a set of industry forecasts by Green Markets for the NOLA DAP price compared to other DAP locations. A negative value indicates that the NOLA price is cheaper, which was the case before even before Moroccan and Russian imports arrived at their current volumes. However, the independent forecasting firm expects the NOLA price to exceed prices in India and China starting in 2021 and continuing until 2024. In effect, they believe the U.S. will have to ration phosphate for several years as the lost imports from the CVD's cannot be readily replaced. The sustained decrease in the historical discount rate indicates that the U.S. desires more phosphate fertilizer but is unable to procure it at prevailing world prices.

Table 1: NOLA DAP price premium (dollars per ton)

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F
DAP India	-27	-38	-25	-58	-24	42	25	25	-30
DAP China	-19	-37	-17	-43	-13	38	25	25	-30

Source: Green Markets. "Global Phosphate Quarterly: Supply & Demand, Production Costs and Price Forecasts." January 2021

Domestic Market Structure and Timelines Limit Supply Response

In 2020, Mosaic owned 59% of the phosphate rock mine capacity in the U.S. The second largest company, Nutrien, has 25% of the capacity according to Green Markets. Likewise, Mosaic had 63% of the phosphate capacity and Nutrien 29% for the U.S. in the same year. These statistics raise severe concerns about competitiveness when imports are restricted through duties that effectively insulate the domestic market. Given the long timelines to construct new phosphate plants, the five-year span of the CVD, and uncertain nature of the Section 301 tariffs on China's phosphate imports, it is unlikely that new capacity will be constructed to help meet the shortfall.

As a result, farmers could face difficulties obtaining adequate phosphate supplies. These difficulties would be compounded as they occur during a time when agricultural prices are rising, and U.S. farmers are responding to the signal to increase acreage. On currently available phosphates, producers will still face significantly higher costs. Our analysis indicates that domestic producers could face over $80 per ton increase in the price of DAP. This would decrease farmer's income by over $800 million. This is in addition to other factors currently elevating fertilizer prices such as increased demand and higher natural gas prices. NOLA DAP prices have increased by $174 per ton since the beginning of November, which is a cause of concern among our farmers.

Though farmers take pride in products made and manufactured in the United States, farmers are also unsettled by the prospect of a single supplier dominating the U.S. market, particularly if the lack of competition has implications for the availability and diversity of products. Farmers rely on choice of diverse tools to optimize their efficiency, sustainability, and resilience in the face of unique production stressors that vary depending on geography, climate, and other conditions. For example, farmers have pushed domestic producers for years to make certain fertilizer formulations, such as Triple Superphosphate, available. However, since domestic producers have not made such products available to farmers, our members have had to rely on imports to access such products.

Due to the aforementioned considerations, corn, soybean and cotton farmers request that the ITC deny The Mosaic Company's petition and remove countervailing duties on imports of Moroccan and Russian phosphate. If the ITC fails to take these actions, we believe U.S. crop production will be negatively impacted by lack of availability and high prices of phosphate fertilizer. We appreciate your attention to our comments.

Sincerely,

Kevin Scott
President, American Soybean Association

John Linder
President, National Corn Growers Association

Kent Fountain
Chairman, National Cotton Council

American Soybean Association

← Back

Soy Farmers Seek to Protect Phosphate Choices

Feb 17, 2021

Washington, D.C. Feb. 17, 2021. The American Soybean Association (ASA) has filed joint comments to the U.S. International Trade Commission (USITC) regarding a petition by the Mosaic Company to enforce countervailing duties on Russian and Moroccan imports of phosphate fertilizer.

Kevin Scott, ASA president and soybean farmer from Valley Springs, South Dakota, said, "We believe countervailing duties on these imports will have a negative impact on the availability of phosphate fertilizer in the United States and, in turn, adversely affect crop production and farmer livelihoods."

Phosphorus is one of several main macronutrients necessary for plant growth and is vital to crop production. Adequate levels of phosphorus in the soil benefit early season root development and help provide the energy crops need to maximize growth and production. Phosphate fertilizers are widely used by soybean, corn, cotton and other crop producers throughout the United States.

Mosaic's petition in support of countervailing duties is not in the best interest of a healthy U.S. agriculture marketplace, jeopardizing domestic availability of phosphate fertilizer and reducing the competition and choices available to farmers.

American Soybean Association®

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